



CONDENSED INTERIM FINANCIAL
ACCOUNTS
(UN-AUDITED)

For the Period Ended
December 31, 2019

SANA Industries Limited

33-D-2, Block 6, P.E.C.H.S., Shahrah-e-Faisal, Karachi-75400

Phone: 021-34322556-9 Email: info@sana-industries.com

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COMPANY INFORMATION

Board of Directors

Mr.Ibrahim Younus	- Chairman
Mr.Mohammed Younus Nawab	- Director
Mr.Ismail Younus	- Director
Mr.Mohammed Faizanullah	- Director
Mr.Muhammad Ashfaq	- Director
Ms.Areej Rafiq	- Director
Hafiz Mohammed Irfan Nawab	- Chief Executive

H.R. & Remuneration Committee

Ms.Areej Rafiq	- Chairman
Mr.Syed Amjad Ahmad	- Member
Mr.Mohammed Faizanullah	- Member
Mr.Ismail Younus	- Member

Audit Committee

Mr.Muhammad Ashfaq	- Chairman
Mr.Abdul Hameed	- Secretary
Mr.Ismail Younus	- Member
Mr.Mohammed Faizanullah	- Member

C.F.O./Company Secretary

Mr.Abdul Hussain Antaria

Registered Office

33-D-2, Block 6, P.E.C.H.S
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Mills

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Hub Chowki, District Lasbela,
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Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Plot No. 180,
Block-A S.M.C.H.S.
Karachi.
Phone : 34549345-9
Fax : 34548210

Legal Advisors

Zaki & Co.,
Advocates
21-A, Wahab Arcade,
M.A.Jinnah Road,
Karachi.
Phone : 32628998 / 32628999

Bankers

Habib Metropolitan Bank Limited
Islamic Banking Branch,
Jodia Bazar,
Karachi.
Phone : 32432528 - 30
Fax : 32432527

Share Registrars

Central Depository Co. of Pakistan Ltd.
Share Registrar Department
CDC House, 99-B, Block B, S.M.C.H.S.,
Karachi.
Phone : 111-111-500
Fax : 34326027

Website for financial data - <http://www.sana-industries.com/>

DIRECTORS' REPORT

The Directors take pleasure in submitting the un-audited (Reviewed) accounts for the first half year ended 31st December, 2019, as required by the Securities and Exchange Commission of Pakistan, vide Circular No.2(52)SE/2001 dated 5/11/2001.

The results of the First half year have decreased as compared to the corresponding period of last year due to prevailing market conditions. During the period under review:-

- (a) the consolidated Net Profit, before tax, during the 'corresponding six months period of last year', amounting to Rs.54.44 million, has decreased slightly to a profit of Rs.52.76 million.
- (b) the unconsolidated Net Profit before tax of Rs.34.71 million during the 'corresponding six months period of last year has decreased to a Net Profit of Rs.20.21 million, before tax.

In order to facilitate our Share Holders, following comparisons of operating and financial data are annexed:

- | | |
|--|---------|
| (a) Comparison with previous quarter | Annex-A |
| (b) Comparison with corresponding quarter of last year | Annex-B |
| (c) Comparison with corresponding six months period | Annex-C |
| (d) Comparison of Balance Sheet of the last two quarters | Annex-D |
| (e) Comparison of P&L Account of the last two quarters | Annex-E |

As required by SECP, unconsolidated as well as consolidated financial statement for the period are also attached.

FUTURE PROSPECTS

The Management is neutral about the future profitability of the Company, but improvement in medium-to-long term returns can be expected.

DIVIDEND

The Directors have decided to skip payment of any interim dividend for consolidation with the final dividend.

PERSONNEL

I would like to place on record my sincere appreciation for the devotion and loyalty of the staff and workers without whose efforts this success could not have been achieved. I look forward to the same devotion and cooperation in the years to come.



(Mohammed Irfan Nawab)
Chief Executive.

Karachi: 29th February, 2020.

ڈائریکٹرز رپورٹ

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر نمبر ۲ (۵۲) سی ای / ۲۰۰۱ بتاریخ 05/11/2017 کے مطابق ۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والی پہلی سہ ماہی کے لئے ڈائریکٹرز غیر پڑتال شدہ اکاؤنٹس جمع کرنے میں خوشی رکھتے ہیں۔

الحمد للہ، پہلی ششماہی کے نتائج گذشتہ سال کے مقابلے میں موجودہ مارکیٹ کے حالات کی وجہ سے لگ بھگ برابر ہی ہیں۔

(۱) گزشتہ ششماہی میں جمع شدہ خالص مجموعی منافع قبل از ٹیکس 54.44 ملین روپے تھا اس ششماہی کے دوران 52.76 ملین روپے منافع ہوا ہے۔
(۲) UNCONSOLIDATED ACCOUNT گزشتہ سال ششماہی میں جمع شدہ خالص منافع قبل از ٹیکس 34.71 ملین روپے سے 20.21 ملین روپے منافع ہوا ہے۔

ہمارے حصص داران کی سہولت کے لئے مندرجہ ذیل آپریٹنگ اور فنانشیل ڈیٹا ساتھ منسلک ہے۔

Annex - A	(۱) گزشتہ سہ ماہی سے موازنہ
Annex - B	(ب) گزشتہ سال کی اسی سہ ماہی سے موازنہ
Annex - C	(پ) گزشتہ سال کی اسی ششماہی سے موازنہ
Annex - D	(ت) بیلنس شیٹ کا بہ لحاظ سہ ماہی سے موازنہ
Annex - E	(ث) نفع و نقصان کھاتہ جات کا بہ لحاظ سہ ماہی موازنہ

مستقبل کے مسائل

کمپنی کے مستقبل کے منافع کے بارے میں انتظامیہ زیادہ پر امید نہیں ہے لیکن موجودہ مارکیٹ کے حالات اچھے ہوتے نظر آ رہے ہیں۔

ڈیویڈنڈ:

ڈائریکٹرز نے فیصلہ کیا ہے کہ حتمی فیصلہ تک کسی بھی طرح کے عبوری ڈیویڈنڈ کی ادائیگی کو روک دیا جائے۔

اظہار تشکر

میں اپنے تمام اسٹاف و اراکین کا ان کی لگن اور وفاداری پر شکریہ ادا کرتا ہوں۔ کمپنی کی کامیابی اس کے ورکرز کی کوششوں کے بغیر ممکن نہیں ہے، میں امید رکھتا ہوں کہ آپ آئندہ آنے والے سالوں میں بھی اسی لگن و جذبے کا مظاہرہ کریں گے

(محمد عرفان نواب)

چیف ایگزیکٹو

کراچی: ۲۹ فروری ۲۰۲۰ء

Comparison with previous quarter
Annexure A

Covering period FROM TO	01-Oct-2019 31-Dec-2019	01-July-2019 30-Sep-2019	VARIATION	
			Amount	Percentage
Turnover - net	557.55	523.17	34.37	6.57%
Cost of Sales	471.83	456.81	15.02	3.29%
Gross Profit	85.71	66.36	19.35	29.16%
G.P.Rate to Sales	15.37%	12.68%		2.69%
Administrative, Selling, Financial & Other expenses	59.45	43.50	15.95	36.67%
Other income	2.62	1.01	1.61	158.86%
Net Profit before taxation	28.88	23.88	5.00	20.96%
Net Profit Rate to Sales	5.18%	4.56%		
Provision for Taxation	9.12	15.06	(5.94)	-39.46%
Profit after Taxation	19.76	8.82	10.95	124.13%
Earning per share (before tax)	3.36	2.78	0.58	20.86%
Earning per share (after tax)	2.30	1.03	1.27	123.30%

Comparison with corresponding quarter of last year
Annexure B

Covering period FROM TO	01-Oct-2019 31-Dec-2019	01-Oct-2018 31-Dec-2018	VARIATION	
			Amount	Percentage
Turnover - net	557.55	541.42	16.12	2.98%
Cost of Sales	471.83	465.72	6.12	1.31%
Gross Profit	85.71	75.71	10.01	13.22%
G.P.Rate to Sales	15.37%	13.98%		
Administrative, Selling, Financial & Other expenses	59.45	51.95	7.50	14.43%
Other income	2.62	0.22	2.40	1110.94%
Net Profit before taxation	28.88	23.97	4.91	20.48%
Net Profit Rate to Sales	5.18%	4.43%		
Provision for Taxation	9.12	9.40	(0.29)	-3.04%
Profit after Taxation	19.76	14.57	5.19	35.66%
Earning per share (before tax)	3.36	2.79	0.57	20.43%
Earning per share (after tax)	2.30	1.70	0.60	35.29%

Comparison with corresponding period of last year
Annexure C

Covering period FROM TO	01-July-2019 31-Dec-2019	01-July-2018 31-Dec-2018	VARIATION	
			Amount	Percentage
Turnover - net	1,080.72	1,134.32	(53.60)	-4.73%
Cost of Sales	928.64	994.56	(65.92)	-6.63%
Gross Profit	152.08	139.76	12.32	8.81%
G.P.Rate to Sales	14.07%	12.32%		
Administrative, Selling, Financial & Other expenses	102.95	89.69	13.26	14.78%
Other income	3.63	4.37	(0.74)	16.93%
Net Profit before taxation	52.76	54.44	(1.68)	3.09%
Net Profit Rate to Sales	4.88%	4.80%		
Provision for Taxation	24.17	15.50	8.67	55.92%
Profit after Taxation	28.58	38.94	(10.35)	-26.59%
Earning per share (before tax)	6.14	6.33	(0.19)	-3.00%
Earning per share (after tax)	3.33	4.53	(1.20)	-26.49%

COMPARISON OF BALANCE SHEET OF TWO QUARTERS

	1ST QUARTER 30-Sep-2019 Rupees	2ND QUARTER 31-Dec-2019 Rupees
ASSETS		
NON CURRENT ASSETS		
Property, Plant and equipments	597,527,125	588,614,082
Right to use assers	-	59,842,246
Long-term deposits	4,571,051	4,571,051
	-----	-----
	602,098,176	653,027,379
CURRENT ASSETS		
Stock-in-trade	216,711,796	223,624,268
Short term investment	1,705,555	1,705,555
Trade debts- unsecured, considered good	481,002,907	428,202,030
Advances	23,418,539	34,923,151
Deposits and pre-payments	6,299,414	4,898,406
Other receivables	29,256,670	28,708,186
Taxation - net	84,544,095	73,482,709
Cash and bank balances	12,653,141	17,278,705
	855,592,116	812,823,010
	-----	-----
TOTAL ASSETS	1,457,690,292	1,465,850,389
	=====	=====
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Share Capital	85,937,500	85,937,500
Reserves	297,548,006	287,439,098
	-----	-----
Attributable to equity holders of the parent	383,485,506	373,376,598
Non-controlling interest	32,130,258	40,518,685
	=====	=====
	415,615,765	413,895,283
NON CURRENT LIABILITIES		
Diminishing Mushareqa	77,172,814	68,401,318
Lease Liability	-	62,019,728
Long term Liabilities	24,982,203	18,567,635
Deffered Liabilities	68,462,554	62,339,508
	170,617,571	211,328,189
CURRENT LIABILITIES		
Trade and other payables	309,699,238	287,260,339
Finance cost Payable	12,760,056	14,305,080
Borrowings from Directors and related parties	76,135,000	60,435,000
Current portion of diminishing mushreqa arrangements	46,589,086	47,087,303
Current portion of lease liability	-	1,609,406
Current portion of long term liability	14,012,825	14,175,142
Unclaimed dividend	1,772,314	1,771,130
Morabaha Arrangements	410,488,437	413,983,517
	871,456,956	840,626,917
CONTINGENCIES AND COMMITMENTS		
	-	-
	-----	-----
TOTAL EQUITY AND LIABILITIES	1,457,690,292	1,465,850,389
	=====	=====
Debt Equity Ratio	29.10%	33.80%
Current Ratio	0.98	0.97

COMPARISON OF PROFIT & LOSS ACCOUNT OF TWO QUARTERS.

	1ST QUARTER 30-Sep-2019 Rupees	2ND QUARTER 31-Dec-2019 Rupees	Y.T.D. 31-Dec-2019 Rupees
Gross turnover	601,437,441	654,712,333	1,256,149,774
Sales tax	(78,262,976)	(97,165,891)	(175,428,867)
Cost of sales	523,174,465 (456,811,265)	557,546,442 (471,832,931)	1,080,720,907 (928,644,196)
Gross profit	66,363,200	85,713,511	152,076,711
G.P.Rate	11.03%	13.09%	12.11%
Selling and distribution expenses	(5,760,975)	(6,271,089)	(12,032,064)
General and administration expenses	(18,299,502)	(22,770,999)	(41,070,501)
Other operating expenses	(727,693)	(1,163,482)	(1,891,175)
Operating profit	41,575,030	55,507,941	97,082,971
Finance cost	(18,711,185)	(29,247,085)	(47,958,270)
Other income	1,011,778	2,619,055	3,630,833
Profit for the period before taxation	23,875,623	28,879,911	52,755,534
Provision for taxation - current	(10,092,771)	(18,228,505)	(28,321,276)
- prior year	-	(2,068,307)	(2,068,307)
- deferred (current)	(4,964,818)	11,180,793	6,215,975
	(15,057,589)	(9,116,019)	(24,173,608)
Profit / Loss after taxation	8,818,034	19,763,892	28,581,926
Earning per share before taxation	2.78	3.36	6.14
Earning per share after taxation	1.03	2.30	3.33



Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF M/S. SANA INDUSTRIES LIMITED**

Report on Review of Condensed Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **M/s. Sana Industries Limited** ("the Company") as at **December 31, 2019** and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated statement of cash flows and notes thereto for the six-month period then ended (here-in-after referred to as the "unconsolidated interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended December 31, 2019. Accordingly, we have not reviewed the figures in the condensed interim unconsolidated statement of profit or loss and the condensed interim unconsolidated statement of comprehensive income for the three-month period ended December 31, 2019.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is **Mr. Muhammad Waseem**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date:

SANA INDUSTRIES LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	Note	(Un-audited) December 31, 2019	(Audited) June 30, 2019
-----Rupees-----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	371,775,846	390,637,695
Right-of-use assets	6	29,921,123	-
Investment property	7	68,057,743	73,451,534
Long term deposits		2,756,051	2,756,051
Investments		<u>35,000,000</u>	<u>35,000,000</u>
		507,510,763	501,845,280
Current assets			
Stock-in-trade		<u>223,624,268</u>	<u>214,142,525</u>
Short term investments		<u>1,705,555</u>	<u>1,705,555</u>
Trade debts - unsecured		<u>328,425,533</u>	<u>313,588,277</u>
Loans and advances		<u>31,360,364</u>	<u>23,023,526</u>
Trade deposits and short term prepayments		<u>3,984,168</u>	<u>1,354,543</u>
Other receivables		<u>65,539,682</u>	<u>59,105,951</u>
Taxation - net		<u>37,707,392</u>	<u>39,872,602</u>
Cash and bank balances	8	<u>15,017,482</u>	<u>29,971,577</u>
		707,364,444	682,764,556
Total assets		<u>1,214,875,207</u>	<u>1,184,609,836</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital	9	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital	9	<u>85,937,500</u>	<u>85,937,500</u>
Revenue reserve			
General reserves		<u>132,500,000</u>	<u>132,500,000</u>
Unappropriated profit		<u>138,267,075</u>	<u>146,889,565</u>
		356,704,575	365,327,065
Non-current liabilities			
Lease liability	10	<u>31,009,864</u>	<u>-</u>
Long term musharika	11	<u>32,427,139</u>	<u>44,516,505</u>
Deferred liabilities		<u>51,820,084</u>	<u>53,779,541</u>
		115,257,087	98,296,046
Current liabilities			
Trade and other payables		<u>270,457,363</u>	<u>222,593,442</u>
Accrued interest		<u>14,108,128</u>	<u>11,770,802</u>
Loan from directors	12	<u>17,610,000</u>	<u>18,610,000</u>
Current portion of long term musharika	11	<u>24,178,704</u>	<u>25,622,593</u>
Current portion of lease liability		<u>804,703</u>	<u>-</u>
Unclaimed dividend		<u>1,771,130</u>	<u>1,798,879</u>
Short term morabaha	13	<u>413,983,517</u>	<u>440,591,009</u>
		742,913,545	720,986,725
Contingencies and commitments	14		
Total equity and liabilities		<u>1,214,875,207</u>	<u>1,184,609,836</u>

The annexed notes from 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

SANA INDUSTRIES LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
For the half year ended December 31, 2019 (Un-audited)

	Note	Half Year Ended		Quarter Ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- Rupees -----					
Turnover - net	15	880,007,985	946,236,988	460,152,463	447,547,014
Cost of sales		(789,042,992)	(851,154,839)	(407,548,963)	(394,048,408)
Gross profit		90,964,993	95,082,149	52,603,500	53,498,606
Administrative expenses		(29,615,539)	(33,681,128)	(17,253,397)	(20,544,307)
Distribution expenses		(10,523,182)	(5,513,822)	(5,656,782)	(2,457,544)
Other operating expenses		(1,891,175)	(3,298,241)	(1,194,732)	(1,694,376)
		(42,029,896)	(42,493,191)	(24,104,911)	(24,696,227)
Operating profit		48,935,097	52,588,958	28,498,589	28,802,379
Finance costs		(40,779,445)	(29,363,555)	(24,524,460)	(15,766,957)
Other income		2,640,898	4,185,787	2,528,159	49,626
Rental income - net		9,412,049	7,301,239	4,831,244	3,870,755
		(28,726,498)	(17,876,529)	(17,165,057)	(11,846,576)
Profit before taxation		20,208,599	34,712,429	11,333,532	16,955,803
Taxation		(7,346,714)	(9,184,672)	844,700	(6,621,108)
Profit after taxation		12,861,885	25,527,757	12,178,232	10,334,695
Earning per share - basic and diluted		1.50	2.97	1.42	1.20

The annexed notes from 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer

SANA INDUSTRIES LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half year ended December 31, 2019 (Un-audited)

	Half Year Ended		Quarter Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	----- Rupees -----			
Profit after taxation	12,861,885	25,527,757	12,178,232	10,334,695
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>12,861,885</u>	<u>25,527,757</u>	<u>12,178,232</u>	<u>10,334,695</u>

The annexed notes from 1 to 19 form an integral part of these unconsolidated condensed interim financial


 Chief Executive Officer

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 Director


 Chief Financial Officer

SANA INDUSTRIES LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half year ended December 31, 2019 (Un-audited)

	Issued, subscribed and paid up capital	General reserve	Unappropriated profit	Total
	----- Rupees -----			
Balance as at July 01, 2018	85,937,500	132,500,000	112,131,845	330,569,345
Final dividend for the year June 30, 2018 @ Rs. 2 per share	-	-	(17,187,500)	(17,187,500)
<i>Total comprehensive income for the half year ended December 31, 2018</i>	-	-	25,527,757	25,527,757
Balance as at December 31, 2018	<u>85,937,500</u>	<u>132,500,000</u>	<u>120,472,102</u>	<u>338,909,602</u>
Balance as at July 01, 2019	85,937,500	132,500,000	146,889,565	365,327,065
Final dividend for the year June 30, 2019 @ Rs. 2.5 per share	-	-	(21,484,375)	(21,484,375)
<i>Total comprehensive income for the half year ended December 31, 2019</i>	-	-	12,861,885	12,861,885
Balance as at December 31, 2019	<u>85,937,500</u>	<u>132,500,000</u>	<u>138,267,075</u>	<u>356,704,575</u>

The annexed notes from 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.



 Chief Executive Officer


 Director


 Chief Financial Officer

SANA INDUSTRIES LIMITED
UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the half year ended December 31, 2019 (Un-audited)

	Half Year Ended	
	December 31, 2019	December 31, 2018
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	20,208,599	34,712,429
Adjustments for:		
- Depreciation	39,600,114	36,911,198
- Gain on sale of fixed assets	(2,275,963)	-
- Provision for gratuity	4,699,687	10,467,810
- Provision for Workers' Profit Participation Fund	1,104,989	1,885,769
- Provision for Workers' Welfare Fund	786,186	1,117,172
- Profit on bank accounts	(284,741)	(92,601)
- Provision for doubtful receivables	(500,000)	-
- Finance cost	40,779,445	30,527,684
	83,909,717	80,817,032
Operating profit before working capital changes	104,118,316	115,529,461
<i>Decrease / (increase) in current assets</i>		
- Stock-in-trade	(9,481,743)	(40,298,949)
- Trade debts	(14,337,256)	4,958,992
- Loans and advances	(8,336,838)	12,064,442
- Trade deposits and short term prepayments	(2,629,625)	(2,655,356)
- Other receivables	(5,485,829)	(23,110,696)
	(40,271,291)	(49,041,567)
<i>Increase in current liabilities</i>		
- Trade and other payables	50,312,229	13,129,387
Cash generated from operations	114,159,254	79,617,281
Income tax paid	(10,802,261)	(8,555,638)
Staff Compensation benefit paid	(1,898,578)	(1,037,467)
Payment of Workers' profit participation fund	(4,339,483)	(3,140,006)
Finance cost paid	(36,134,752)	(29,938,703)
	(53,175,074)	(42,671,814)
Net cash generated from operating activities	60,984,180	36,945,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(13,308,434)	(22,095,271)
Proceeds from sale of operating fixed assets	2,280,000	-
Short term investments	-	(1,705,555)
Profit received from bank accounts	197,030	86,556
Long term deposits	-	40,000
Net cash used in investing activities	(10,831,404)	(23,674,270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(21,512,124)	(15,971,365)
Repayment of short term morabaha finance	(26,607,492)	(12,115,012)
Lease liability repayments	(2,454,000)	-
Repayments under long term musharika	(13,533,255)	(30,814,784)
Finance (repaid to) / obtained from related party	(1,000,000)	10,000,000
Net cash used in financing activities	(65,106,871)	(48,901,161)
Net decrease in cash and cash equivalents	(14,954,095)	(35,629,964)
Cash and cash equivalents at the beginning of the period	29,971,577	42,264,953
Cash and cash equivalents at the end of the period	15,017,482	6,634,989

The annexed notes from 1 to 19 form an integral part of these unconsolidated condensed interim financial statements.




 Chief Executive Officer


 Director


 Chief Financial Officer

SANA INDUSTRIES LIMITED
NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION
For the half year ended December 31, 2019 (Un-audited)

1 THE COMPANY AND ITS OPERATIONS

1.1 Sana Industries Limited ("the Company") is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act'). The shares of the Company are listed on Pakistan Stock Exchange Limited ("the Exchange"). The Company is primarily engaged in the manufacturing and sale of man-made blended yarn.

1.2 The geographical location and address of company's business units, including plant are as under:

Head office: The registered office of the Company is situated at 33-D-2, Block 6, P.E.C.H.S., Karachi.

Mill: The mill is located at Hub trading estate, situated at Tehsil Hub, District Lasbela, Balochistan.

Warehouse: The Company's warehouse is located at SF-96, S.I.T.E, Karachi

1.3 These unconsolidated condensed interim financial statements are separate financial statements of the Company in which investment in subsidiary has been accounted for at cost less accumulated impairment losses, if any.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These unconsolidated condensed interim financial statements do not include all the information and disclosures required in the unconsolidated annual audited financial statements, and should be read in conjunction with Company's unconsolidated annual audited financial statements for the year ended June 30, 2019.

The comparative figures presented in these condensed interim financial statements as at 31 December 2019 has been extracted from the audited financial statements of the Company for the year ended 30 June 2019, whereas the comparative statement of profit or loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows are extracted from the unaudited condensed interim financial statements for the six months period ended 31 December 2018.

These unconsolidated condensed interim financial statements is unaudited and is being submitted to the members of the Company as required under section 237 of the Companies Act, 2017 and the listing regulations of Pakistan Stock Exchange Limited as required by the Code of Corporate Governance.

2.2 Basis of measurement

These unconsolidated condensed interim financial statements has been prepared under the historical cost convention except as otherwise stated.

2.3 Functional and presentation currency

Items included in these unconsolidated condensed interim financial statements are measured using the currency of the primary economic environment in which the Company operates and are presented in Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated. All figures have been rounded off to the nearest rupee.

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note 3.1 below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2019.

3.1 Change in accounting policy - Initial application of IFRS 16 'Leases'

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases—Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees whereby a lessee was required to classify its leases either as finance leases or operating leases based on whether the risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

The Company has applied IFRS 16 to the lease arrangements in which it is a lessee (which previously were classified as operating leases under IAS 17) by following the cumulative catch-up transition method using the following practical expedients as permitted under paragraph C10 of IFRS 16:

- (a) The Company has applied a single discount rate (i.e. its incremental borrowing rate of 15.65% per annum as of July 01, 2019) to its portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- (b) The Company has relied on its assessment of whether the aforesaid lease arrangements are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as on June 30, 2019 as an alternative to perform an impairment review of right-of-use asset. The said assessment performed by the Company as on June 30, 2019 had not identified any onerous lease arrangements; and
- (c) The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Because, in its financial statements for the year ended June 30, 2019, the Company was not required to disclose operating lease commitments under IAS 17, no such explanation as is required under paragraph C12(b) of IFRS 16 has been disclosed in these interim financial statements.

Initial measurement of the right-of-use asset and the corresponding lease liability

As of the date of initial application (i.e. of July 01, 2019), the Company measured the right-of use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

- (a) As permitted under paragraph C8(b) of IFRS 16, the Company measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its statement of financial position as June 30, 2019.
- (b) The Company measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 15.65% per annum as of July 01, 2019.

Accounting policy with respect to subsequent measurement of the right-of-use asset and the corresponding lease liability

Right -of-use asset

After the commencement date, the Company measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Company measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or remodification or to reflect revised in substance fixed lease payments

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, the management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in these unconsolidated condensed interim financial statements.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the Company's unconsolidated annual audited financial statements for the year ended June 30, 2019.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
5	PROPERTY, PLANT AND EQUIPMENT	----- Rupees -----	
	Operating fixed assets	371,775,846	390,637,695
	Capital work-in-progress	-	-
		<u>371,775,846</u>	<u>390,637,695</u>

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- Rupees -----	
5.1	Net book value (NBV) at the beginning of the period	390,637,695	409,427,793
	Add: Additions to tangible fixed assets	13,308,434	34,517,829
	Transferred from capital work in progress	-	9,702,612
	Less: Disposals during the period (NBV)	4,037	92,850
	Depreciation charged during the period	32,166,246	62,917,689
	Net book value (NBV) at the closing of the period	371,775,846	390,637,695
5.2	The following is the movement in the capital work in progress during the period		
	Opening balance	-	4,698,974
	Add: Additions during the period	-	5,003,638
		-	9,702,612
	Less: Transferred to operating fixed assets	-	9,702,612
	Closing balance	-	-

5.3 Major additions and disposals are as follows:

	Half year ended December 31, 2019		Year ended June 30, 2019	
	Additions	Disposals (At cost)	Additions/ transfers	Disposals (At cost)
	-----Rupees-----			
Buildings on leasehold land	707,767	-	1,529,700	-
Electrification - Factory Building	-	-	11,636,818	-
Office premises SF/96	-	-	108,274	-
Plant and machinery	12,196,420	-	28,811,699	(206,333)
Furniture, fixtures and office equipment	36,000	-	213,960	-
Vehicles	170,000	(3,796,332)	1,897,990	(722,227)
Computers and softwares	198,247	-	22,000	-
	13,308,434	(3,796,332)	44,220,441	(928,560)

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	----- Rupees -----	
6 RIGHT-OF-USE ASSETS		
Cost	31,961,200	-
Depreciation charged during the period	(2,040,077)	-
	29,921,123	-

This represents the Company's right to use the property obtained under lease agreements. The principal terms and conditions of these lease arrangements are as follows:

	Building
Lessor name	Mrs. Sabiha Yousuf w/o Muhammad Younus Nawab and Mrs. Afshan Irfan w/o Muhammad Irfan Nawab
Lease commencement date	July 01, 2019
Initial lease term	Seven years and ten months
Number of assets taken on lease	1

7 INVESTMENT PROPERTY

Particulars	Cost			Rate % per annum	Accumulated Depreciation			Book value as at December 31, 2019
	As at July 1, 2019	Additions (Deletions)	As at December 31, 2019		As at July 1, 2019	For the period	As at December 31, 2019	
Leashold Land	6,812,875	-	6,812,875	0	-	-	-	6,812,875
Building on leasehold land	138,657,806	-	138,657,806	10	72,019,147	5,393,791	77,412,938	61,244,868
31-Dec-19	<u>145,470,681</u>	<u>-</u>	<u>145,470,681</u>		<u>72,019,147</u>	<u>5,393,791</u>	<u>77,412,938</u>	<u>68,057,743</u>
30-Jun-19	<u>144,306,660</u>	<u>1,164,021</u>	<u>145,470,681</u>		<u>61,089,489</u>	<u>10,929,658</u>	<u>72,019,147</u>	<u>73,451,534</u>

(Un-audited) (Audited)
December 31, June 30,
2019 2019

----- Rupees -----

8 CASH AND BANK BALANCES

Cash in hand	1,681,983	206,991
Cash with banks - current accounts	6,185,131	19,035,577
- in PLS account	7,150,368	10,729,009
	<u>15,017,482</u>	<u>29,971,577</u>

9 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

(Unaudited) December 31, 2019	(Audited) June 30, 2019		(Unaudited) December 31, 2019	(Audited) June 30, 2019
----- Number of shares -----			----- Rupees -----	
<u>10,000,000</u>	<u>10,000,000</u>	Authorised capital	<u>100,000,000</u>	<u>100,000,000</u>
		Ordinary shares of Rs. 10/- each		
		Issued, Subscribed and Paid up Capital		
		Ordinary shares of Rs. 10/- each		
<u>4,000,000</u>	<u>4,000,000</u>	For Cash	<u>40,000,000</u>	<u>40,000,000</u>
<u>4,593,750</u>	<u>4,593,750</u>	As bonus shares	<u>45,937,500</u>	<u>45,937,500</u>
<u>8,593,750</u>	<u>8,593,750</u>		<u>85,937,500</u>	<u>85,937,500</u>

(Un-audited) (Audited)
December 31, June 30,
2019 2019

----- Rupees -----

10 LEASE LIABILITY

Opening balance	-	-
Leases obtained during the period	31,961,200	-
Payments made during the period	(2,454,000)	-
Finance charged	2,307,367	-
	<u>31,814,567</u>	<u>-</u>
Less: Current maturity shown under current liabilities	(804,703)	-
Closing balance	<u>31,009,864</u>	<u>-</u>

(Un-audited) (Audited)
December 31, June 30,
2019 2019

Note ----- Rupees -----

11 LONG TERM MUSHARIKA

Secured - Under Shariah Arrangement

Habib Metropolitan Bank Limited
Standard Chartered Bank

11.1	56,605,843	68,695,202
11.2	-	1,443,896
	56,605,843	70,139,098
	(24,178,704)	(25,622,593)
	32,427,139	44,516,505

less: Current portion

11.1 Diminishing Musharika Disclosure

Date of Disbursement	Nature of Asset	Amount Disbursed	Limit	Profit Rate	Floor	Ceiling	Principal Outstanding as at December 31, 2019	Ending Date	Security
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HABIB METROPOLITAN BANK:

28-Oct-16	Generator Waukesha Model VHP 5904 LTD	30,716,800	56.605 million	6M KIBOR + 2%	7.5%	14%	13,310,634	02-Feb-22	- 1st Charge registered over specific machinery value Rs. 38 million duly insured in Bank's favor covering all risk with premium payment receipt. DM-268.
16-Feb-17	4 Sets Drawframes Rieter	26,073,600		6M KIBOR + 2%	7.5%	14%	12,167,680	20-Mar-22	- 1st Charge registered over specific machinery value Rs. 38.396 million duly insured in Bank's favor covering all risk with premium payment receipt. DM-373.
02-Feb-17	14 Sets Complete Ring Spinning Frames	55,442,587		6M KIBOR + 2%	7.5%	14%	26,797,254	09-Apr-22	- 1st Charge registered over specific machinery value Rs. 69.303 million duly insured in Bank's favor covering all risk with premium payment receipt. DM-411.
07-Apr-17	4 Sets Twister Machine China	8,660,544		6M KIBOR + 2%	7.5%	14%	4,330,275	22-May-22	- Personal Guarantee of three Directors i.e. Mr. Muhammad Younus Nawab , Mr. Muhammad Irfan Nawab , Mr. Muhammad Ibrahim Younus.

56,605,843

12 LOAN FROM DIRECTORS

These represents short-term interest free loans from directors to meet working capital requirements and is repayable on demand.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- Rupees -----	
13 SHORT TERM MORABAHA			
Habib Metropolitan Bank	13.1	273,946,943	308,565,339
Standard Chartered Bank	13.2	<u>140,036,574</u>	<u>132,025,670</u>
		<u>413,983,517</u>	<u>440,591,009</u>

13.1 Short-term murabaha had been obtained, under shariah arrangement, for the regular purchases of raw material. The bank has approved a facility of Rs. 300 million (2019: Rs. 300 million). The effective rate of profit on morabaha facility ranges between 15.32 % to 17.12% (2019: 12% to 14%), based on 6 months KIBOR plus 2% per annum (2019: 6 months KIBOR plus 2% per annum). The arrangement is secured against equitable mortgage of factory land, building and plant & machinery (except assets financed under diminishing musharaka by another financial institution), located at H.I.T.E., Hub, Balochistan, hypothecation of goods imported / purchased under this financing, execution of promissory notes and personal guarantees of three directors of the Company.

13.2 Short-term murabaha had been obtained, under shariah arrangement, for the regular purchases of raw material. The bank has approved a facility of Rs. 134 million (2019: 134 million). The effective rate of profit on morabaha in facility ranges between 14.81 % to 15.58 % (2018: 8.46 % to 14.43 %) based on 6 months KIBOR + 1.5% (2019: 3 months KIBOR + 1.75% per annum). The arrangement is secured against equitable mortgage of factory land, building and plant & machinery (except assets financed under diminishing musharka by another financial institution), located at plot no, 54 Dehi Gondpas Tapo Gabopat Kemari Town Karachi, hypothecation of goods imported / purchased under this financing, execution of promissory notes and personal guarantees of three directors of the company.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

In December 2011, the Federal Government, for the first time, imposed the levy of Gas Infrastructure Development Cess (the cess) through the promulgation of the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011) which, subsequently, was widely challenged on several legal grounds. In June 2013, the Honourable High Court of Peshawar, in the case titled M/s. Ashraf Industries vs. Federation of Pakistan, passed a judgment whereby it struck down the GIDC Act, 2011 declaring the said law as unconstitutional. Subsequent to this decision, the Gas Infrastructure Development Cess Ordinance, 2014 (GIDC Ordinance, 2014) was promulgated which expired in May 2015. In the same month, the Honourable Supreme Court of Pakistan dismissed the review petition filed by the Federation of Pakistan against the aforesaid judgment of the Honourable High Court of Peshawar, and thereby, upheld the said judgment. Following the judgment of the Apex Court, the GIDC Ordinance, 2014 received presidential assent after having been passed by both the houses of Parliament as Gas Infrastructure Development Cess Act, 2015 (GIDC Act, 2015). The GIDC Act, 2015, provided for retrospective levy of cess for the period from January 2011 to May 2015 (as imposed under the struck down GIDC Act, 2011 and GIDC Ordinance, 2014) with different cess rates prescribed for each sector. The GIDC Act, 2015, has also been challenged on legal and other grounds. In October 2016, the Honorable High Court of Sindh passed a judgment whereby it declared the GIDC Act, 2015 as unconstitutional. Subsequent to this decision, the Federation of Pakistan filed an appeal in the Honorable Supreme Court of Pakistan against the aforesaid judgment of the Honorable High Court of Sindh which is currently pending for adjudication. During this period, the Honorable Sindh High Court suspended its judgment passed in October 2016.

The Company, as well as other petitioners, have challenged the levy on constitutional and legal grounds as well as discrimination in supply rate and GID cess as against its retrospective application of GIDC Act 2015 to levy cess for the period from 2011 to 2015 against that applied to similar sector.

Since this issue is being faced by industry at large and in light of aforementioned developments, the management is of the view that there is no need to maintain any provision against this liability and accordingly the Company has deferred the recognition of expense against such billings amounting to Rs. 120.78 million (June 30, 2019: 112.19 million) based on the

Except for the above, there has been no change in the status of contingencies as disclosed in annual audited financial statements of the Company for the year ended June 30, 2019.

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	----- Rupees -----	
14.2 Commitments		
Irrevocable letter of credit	110,026,422	64,065,814
Letter of guarantee issued by commercial bank	<u>29,376,853</u>	<u>24,056,478</u>
Custom duty, sales tax, FED and Income tax on goods in transit	<u>1,856,346</u>	<u>2,160,819</u>

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	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
15 TURNOVER - NET	-----Rupees-----			
Yarn Sales - local	1,007,353,498	941,977,359	533,099,011	444,164,493
Raw material and wastage sales	21,083,750	6,950,944	11,922,636	4,948,560
	1,028,437,248	948,928,303	545,021,647	449,113,053
Less: Sales tax	(147,849,172)	-	(84,289,093)	-
Less: commission and discount	(580,091)	(2,691,315)	(580,091)	(1,566,039)
	<u>880,007,985</u>	<u>946,236,988</u>	<u>460,152,463</u>	<u>447,547,014</u>

16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of associated companies, staff benefit funds, directors and key management personnel. The transactions with related parties during the period are as follows:

Nature of transaction	Half year ended	
	December 31, 2019	December 31, 2018
	----- Rupees -----	
Staff retirement benefit plans - Contribution to gratuity fund	<u>4,699,687</u>	<u>10,467,810</u>
Key management personnel - Remuneration and benefits	<u>17,432,602</u>	<u>13,366,884</u>
Loan from directors	<u>21,350,000</u>	<u>20,050,000</u>
Repayment of loan from directors	<u>20,350,000</u>	<u>10,050,000</u>
Payment received from subsidiary company	<u>9,000,000</u>	<u>4,955,508</u>
Rent paid to directors' family members	<u>2,454,000</u>	<u>3,292,500</u>
Rental income from subsidiary company	<u>19,604,291</u>	<u>19,405,240</u>
Reimbursement to subsidiary	<u>636,638</u>	<u>567,259</u>
	(Un-audited)	(Audited)
	December 31,	June 30,
	2019	2019
	----- Rupees -----	
Outstanding balances as of the period end / year end:		
Receivable from subsidiary company	<u>39,104,666</u>	<u>25,772,499</u>
Loan from directors and family members	<u>17,610,000</u>	<u>13,760,000</u>

17 FINANCIAL RISK MANAGEMENT





The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding annual published financial statements of the Company for the period ended June 30, 2019.

18 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information has been authorized for issue on 29 FEB 2020 by the Board of Directors of the Company.

19. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF M/S. SANA INDUSTRIES LIMITED**

Report on Review of Condensed Interim Consolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of **M/s. Sana Industries Limited** and its subsidiary ("the Group") as at **December 31, 2019** and the related condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity, and condensed interim consolidated statement of cash flows and notes thereto for the six-month period then ended (here-in-after referred to as the "consolidated interim financial statements"). Group management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended December 31, 2019. Accordingly, we have not reviewed the figures in the condensed interim consolidated statement of profit or loss and the condensed interim consolidated statement of comprehensive income for the three-month period ended December 31, 2019.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The group engagement partner on the review resulting in this independent auditor's review report is **Mr. Muhammad Waseem**.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date:

SANA INDUSTRIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	<i>Note</i>	(Un-audited) December 31, 2019	(Audited) June 30, 2019
-----Rupees-----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	588,614,082	619,693,712
Right to use asset	6	59,842,246	-
Long term deposits		4,571,051	4,701,051
		<u>653,027,379</u>	<u>624,394,763</u>
Current assets			
Stock-in-trade		223,624,268	214,142,525
Short term investment		1,705,555	1,705,555
Trade debts - unsecured		428,202,030	415,531,305
Loans and advances		34,923,151	24,289,126
Trade deposits and short term prepayments		4,898,406	1,490,580
Other receivables		28,708,186	32,933,012
Taxation - net		73,482,709	77,802,722
Cash and bank balances		17,278,705	30,661,897
		<u>812,823,010</u>	<u>798,556,722</u>
Total assets		<u><u>1,465,850,389</u></u>	<u><u>1,422,951,485</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital	7	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital	7	<u>85,937,500</u>	<u>85,937,500</u>
Revenue reserve			
General reserves		132,500,000	132,500,000
Unappropriated profit		154,939,098	158,438,846
Equity attributed to the shareholders of holding company		<u>373,376,598</u>	<u>376,876,346</u>
Non controlling interest		<u>40,518,685</u>	<u>29,921,385</u>
		<u>413,895,283</u>	<u>406,797,731</u>
Non-current liabilities			
Long term musharika	8	68,401,318	88,820,098
Lease liability	9	62,019,728	-
Long term liability		18,567,635	27,481,254
Deferred liabilities		62,339,508	64,894,182
		<u>211,328,189</u>	<u>181,195,534</u>
Current liabilities			
Trade and other payables		287,260,339	238,022,320
Finance cost payable		14,305,080	11,834,668
Loan from directors - unsecured	10	60,435,000	79,185,000
Current portion of long term musharika		47,087,303	48,032,975
Current portion of lease liability		1,609,406	-
Current portion of long term liability		14,175,142	15,493,369
Unclaimed dividend		1,771,130	1,798,879
Short term morabaha	11	413,983,517	440,591,009
		<u>840,626,917</u>	<u>834,958,220</u>
Contingencies and commitments	12		
Total equity and liabilities		<u><u>1,465,850,389</u></u>	<u><u>1,422,951,485</u></u>

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.




Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the half year ended December 31, 2019 (Un-audited)

	Half Year Ended		Quarter Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	----- Rupees -----			
Turnover - net	1,080,720,908	1,134,322,747	557,546,443	541,424,235
Cost of sales	(928,644,196)	(994,562,501)	(471,832,931)	(465,716,108)
Gross profit	152,076,712	139,760,246	85,713,512	75,708,127
Administrative expenses	(41,070,501)	(42,339,683)	(22,770,999)	(27,808,813)
Distribution expenses	(12,032,064)	(8,506,102)	(6,271,089)	(3,526,764)
Other operating expenses	(1,891,175)	(3,415,581)	(1,163,482)	(1,780,466)
	(54,993,740)	(54,261,366)	(30,205,570)	(33,116,043)
Operating profit	97,082,972	85,498,880	55,507,942	42,592,084
Finance costs	(47,958,270)	(35,430,802)	(29,247,085)	(18,837,728)
Other income	3,630,833	4,370,748	2,619,055	216,282
	(44,327,437)	(31,060,054)	(26,628,030)	(18,621,446)
Profit before taxation	52,755,535	54,438,826	28,879,912	23,970,638
Taxation	(24,173,608)	(15,503,406)	(9,116,019)	(9,401,535)
Profit after taxation	28,581,927	38,935,420	19,763,893	14,569,103
Earning per share - basic and diluted	3.33	4.53	2.30	1.70

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.



 Chief Executive Officer


 Director


 Chief Financial Officer

SANA INDUSTRIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended December 31, 2019 (Un-audited)

	<u>Half Year Ended</u>		<u>Quarter Ended</u>	
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	----- Rupees -----			
Profit after taxation	28,581,927	38,935,420	19,763,893	14,569,103
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>28,581,927</u>	<u>38,935,420</u>	<u>19,763,893</u>	<u>14,569,103</u>
Attributable to:				
Owners of the Holding Company	17,984,627	29,091,549	(3,861,155)	2,559,196
Non-Controlling Interests	10,597,300	9,843,871	8,076,765	1,038,882
	<u>28,581,927</u>	<u>38,935,420</u>	<u>4,215,610</u>	<u>3,598,078</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.






SANA INDUSTRIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended December 31, 2019 (Un-audited)

	Issued, subscribed and paid up capital	General reserve	Unappropriated profit	Non- Controlling Interest	Total
	----- Rupees -----				
Balance as at July 01, 2018	85,937,500	132,500,000	115,272,329	27,472,072	361,181,901
Final dividend for the year June 30, 2018 @ Rs. 2 per share	-	-	(17,187,500)	-	(17,187,500)
<i>Total comprehensive income for the half year ended December 31, 2018</i>	-	-	35,376,003	3,559,417	38,935,420
Balance as at December 31, 2018	<u>85,937,500</u>	<u>132,500,000</u>	<u>133,460,832</u>	<u>31,031,489</u>	<u>382,929,821</u>
Balance as at July 01, 2019	85,937,500	132,500,000	158,438,846	29,921,385	406,797,731
Final dividend for the year June 30, 2019 @ Rs. 2.5 per share	-	-	(21,484,375)	-	(21,484,375)
<i>Total comprehensive income for the half year ended December 31, 2019</i>	-	-	17,984,627	10,597,300	28,581,927
Balance as at December 31, 2019	<u>85,937,500</u>	<u>132,500,000</u>	<u>154,939,098</u>	<u>40,518,685</u>	<u>413,895,283</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer

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SANA INDUSTRIES LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended December 31, 2019 (Un-audited)

	Half Year Ended	
	December 31, 2019	December 31, 2018
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	52,755,535	54,438,826
Adjustments for:		
- Depreciation	51,911,281	46,625,970
- Gain on sale of fixed assets	(3,150,963)	(149,490)
- Provision for gratuity	4,699,687	10,467,810
- Provision for Workers' Profit Participation Fund	1,104,989	1,885,769
- Provision for Workers' Welfare Fund	786,186	1,117,172
- Profit on bank accounts	(399,675)	(128,072)
- Provision for doubtful receivables	(500,000)	-
- Finance cost	47,958,270	36,594,931
	102,409,775	96,414,090
Operating profit before working capital changes	155,165,310	150,852,916
<i>Decrease / (increase) in current assets</i>		
- Stock-in-trade	(9,481,743)	(40,298,949)
- Trade debts	(12,170,725)	(971,435)
- Loans and advances	(10,634,025)	9,563,113
- Trade deposits and short term prepayments	(3,407,826)	1,254,538
- Other receivables	5,172,728	(7,295,700)
	(30,521,591)	(37,748,433)
<i>Increase / (decrease) in current liabilities</i>		
- Trade and other payables	51,686,325	786,539
Cash generated from operations	176,330,044	113,891,022
Income tax paid	(26,069,570)	(24,206,711)
Staff Compensation benefit paid	(1,898,578)	(1,037,467)
Payment of Workers' profit participation fund	(4,339,483)	(3,140,006)
Finance cost paid	(40,873,124)	(36,012,295)
	(73,180,755)	(64,396,479)
Net cash generated from operating activities	103,149,289	49,494,543
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(17,605,534)	(30,387,136)
Proceeds from sale of operating fixed assets	4,005,000	753,601
Short term investments	-	(1,705,555)
Profit received from bank accounts	311,967	128,072
Long term deposits	130,000	40,000
Net cash used in investing activities	(13,158,567)	(31,171,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(21,512,124)	(15,971,365)
(Repayment) / borrowing under short term morabaha	(26,607,492)	(12,115,012)
(Repayment) of lease liability	(4,908,000)	-
(Repayment) of long term liability	(10,231,846)	(18,602,898)
Repayments under long term musharika	(21,364,452)	(28,681,451)
Borrowings / (Repayment) from related party	(18,750,000)	21,175,000
Net cash used in financing activities	(103,373,914)	(54,195,726)
Net decrease in cash and cash equivalents	(13,383,192)	(35,872,201)
Cash and cash equivalents at the beginning of the period	30,661,897	43,690,361
Cash and cash equivalents at the end of the period	17,278,705	7,818,160

The annexed notes from 1 to 16 form an integral part of these condensed interim consolidated financial statements.




Chief Executive Officer



Director



Chief Financial Officer

SANA INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
For the half year ended December 31, 2019 (Un-audited)

1 THE COMPANY AND ITS OPERATIONS

1.1 Sana Industries Limited ('the Parent Company') was incorporated in Pakistan under the Companies Ordinance, 1984 (the Ordinance) [now Companies Act, 2017] and is listed on the Pakistan Stock Exchange. The Company is primarily engaged in the manufacturing and sale of man-made blended yarn.

1.2 The geographical location and address of company's business units, including plant are as under:

- The registered office of the Parent Company is situated at 33-D-2, Block 6, P.E.C.H.S., Karachi, Pakistan.
- The Parent Company's manufacturing plant / mill is located at Hub trading estate, situated at Tehsil Hub, District Lasbela, Balochistan.

1.3 These condensed interim consolidated financial statements comprise of the Parent Company and its subsidiary company (here-in-after referred to as "the Group"):

<i>Name of subsidiary company</i>	<i>Effective % shareholding</i>
- Sana Logistics (Private) Limited	70.00%

1.4 Sana Logistics (Private) Limited ('the subsidiary company') was incorporated in Pakistan as a private limited Company under the Companies Ordinance, 1984 (the Ordinance) [now Companies Act, 2017]. The principal activity of the subsidiary company is to provide services in respect of Dry Storage through "Compartmentalized store project".

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim consolidated financial statements do not include all the information and disclosures required in the consolidated annual audited financial statements, and should be read in conjunction with Group's consolidated annual audited financial statements for the year ended June 30, 2019.

2.2 Basis of measurement

These consolidated condensed interim financial statements has been prepared under the historical cost convention except as otherwise stated.

2.3 Functional and presentation currency

Items included in these consolidated condensed interim financial statements are measured using the currency of the primary economic environment in which the Group operates. These condensed interim consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency, unless otherwise stated. All figures have been rounded off to the nearest rupee.

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note 3.1 below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended June 30, 2019.

3.1 Change in accounting policy - Initial application of IFRS 16 'Leases'

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Group has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases—Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees whereby a lessee was required to classify its leases either as finance leases or operating leases based on whether the risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

The Group has applied IFRS 16 to the lease arrangements in which it is a lessee (which previously were classified as operating leases under IAS 17) by following the cumulative catch-up transition method using the following practical expedients as permitted under paragraph C10 of IFRS 16:

- (a) The Group has applied a single discount rate (i.e. its incremental borrowing rate of 15.65% per annum as of July 01, 2019) to its portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- (b) The Group has relied on its assessment of whether the aforesaid lease arrangements are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as on June 30, 2019 as an alternative to perform an impairment review of right-of-use asset. The said assessment performed by the Group as on June 30, 2019 had not identified any onerous lease arrangements; and
- (c) The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Because in its consolidated financial statements for the year ended June 30, 2019, the Group was not required to disclose operating lease commitments under IAS 17, no such explanation as is required under paragraph C12(b) of IFRS 16 has been disclosed in these interim financial statements.

Initial measurement of the right-of-use asset and the corresponding lease liability

As of the date of initial application (i.e. of July 01, 2019), the Group measured the right-of use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

- (a) As permitted under paragraph C8(b) of IFRS 16, the Group measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its consolidated statement of financial position as June 30, 2019.
- (b) The Group measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 15.65% per annum as of July 01, 2019.

Accounting policy with respect to subsequent measurement of the right-of-use asset and the corresponding lease liability

Right -of-use asset

After the commencement date, the Group measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Company measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or modification or to reflect revised in substance fixed lease payments

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may differ from these judgements, estimates and assumptions.

However, the management believes that the change in outcome of judgements, estimates and assumptions would not have a material impact on the amounts disclosed in these consolidated condensed interim financial statements.

Judgements and estimates made by the management in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the Group's consolidated annual audited financial statements for the year ended June 30, 2019.

5 PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	----- Rupees -----	
Operating fixed assets	588,614,082	619,194,412
Capital work-in-progress	-	499,300
	<u>588,614,082</u>	<u>619,693,712</u>

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- Rupees -----	
5.1	Net book value (NBV) at the beginning of the period	619,194,412	655,597,839
	Add: Additions to tangible fixed assets	17,605,534	56,525,630
	Transferred from capital work in progress	499,300	-
	Less: Disposals during the period (NBV)	854,037	696,961
	Depreciation charged during the period	47,831,127	92,232,096
	Net book value (NBV) at the closing of the period	588,614,082	619,194,412

5.2 The following is the movement in the capital work in progress during the period

Opening balance	499,300	5,197,974
Add: Additions during the period	-	5,003,638
	499,300	10,201,612
Less: Transferred to operating fixed assets	499,300	9,702,312
Closing balance	-	499,300

	Half year ended December 31, 2018		Year ended June 30, 2019	
	Additions	Disposals (At cost)	Additions/ transfers	Disposals (At cost)
	-----Rupees-----			
5.3	Major additions and disposals are as follows:			
	-	-	2,693,721	-
Buildings on leasehold land	-	-	12,989,043	-
Electrification - Factory Building	1,167,860	-	108,274	-
Office premises SF/96	108,274	-	6063468	(658,818)
Handling equipment	-	-	31,942,164	(206,333)
Plant and machinery	14,381,549	-	1,897,990	-
Furniture, fixtures and office equipment	213,960	-	357,960	(722,227)
Vehicles	1,197,990	-	473,010	-
Computers and softwares	22,000	-	56,525,630	(1,587,378)
	17,091,633	-		

	(Un-audited) December 31, 2019	(Audited) June 30, 2019
	----- Rupees -----	

6 **RIGHT-OF-USE ASSETS**

Holding Company

Cost	31,961,200	-
Depreciation charged during the period	(2,040,077)	-
	29,921,123	-

Subsidiary Company

Cost	31,961,200	-
Depreciation charged during the period	(2,040,077)	-
	29,921,123	-

7 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

(Unaudited) December 31, 2019	(Audited) June 30, 2019		(Unaudited) December 31, 2019	(Audited) June 30, 2019
----- Number of shares -----			----- Rupees -----	
10,000,000	10,000,000	Authorised capital	100,000,000	100,000,000
		Ordinary shares of Rs. 10/- each		
		Issued, Subscribed and Paid up Capital		
4,000,000	4,000,000	Ordinary shares of Rs. 10/- each	40,000,000	40,000,000
4,593,750	4,593,750	For cash	45,937,500	45,937,500
8,593,750	8,593,750	As bonus shares	85,937,500	85,937,500

			(Un-audited) December 31, 2019	(Audited) June 30, 2019
8 LONG TERM MUSHARIKA	<i>Note</i>		----- Rupees -----	
<i>Secured - Under Shariah Arrangement</i>				
<i> Holding Company</i>				
Habib Metropolitan Bank Limited	8.1		56,605,843	68,695,202
Standard Chartered Bank	8.2		-	1,443,896
<i> Subsidiary Company</i>				
Bank Al-Habib Limited			55,508,783	66,713,975
Dubai Islamic Bank			3,373,995	-
less: Current portion show under current liabilities			(47,087,303)	(48,032,975)
			68,401,318	88,820,098

8.1 This represent liability against Diminishing musharika facility taken by Sana Industries Limited (the holding company) for the purchase of specific machinery to be repaid in four years expiring in June, 2022. The loan is secured against registered hypothecation charge over specific machinery for Rs. 250 million and personal guarantee of the directors. The rate of markup is 6 months KIBOR + 2% semi annually.

8.2 This represent liability against Diminishing musharika facility taken by Sana Industries Limited (the holding company) for the purchase of fixed assets to be repaid in 10 months expiring in September 2019. The loan is secured against exclusive charge over plant and machinery for Rs. 60 million being installed as part of cold storage project located in Deh Gondpass, Kemari and the personal guarantee of the directors. The rate of markup is 1 month KIBOR+ 1.75% per annum.

			(Un-audited) December 31, 2019	(Audited) June 30, 2019
9 LEASE LIABILITY	<i>Note</i>		----- Rupees -----	
Opening balance			-	-
Leases obtained during the period			63,922,400	-
Payments made during the period			(4,908,000)	-
Finance charged			4,614,734	-
			63,629,134	-
Less: Current maturity shown under current liabilities			(1,609,406)	-
Closing balance			62,019,728	-

10 LOAN FROM DIRECTORS - UNSECURED

Sana Industries Limited		17,610,000	18,610,000
Sana Logistics (Private) Limited		42,825,000	60,575,000
	10.1	60,435,000	79,185,000

10.1 These represents short-term interest free loans from directors to meet working capital requirements.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
		----- Rupees -----	
11	SHORT TERM MORABAHA		
		<i>Note</i>	
	Habib Metropolitan Bank	<i>11.1</i> 273,946,943	308,565,339
	Standard Chartered Bank	<i>11.2</i> 140,036,574	132,025,670
		413,983,517	440,591,009

11.1 This represent short term morabaha facility obtained by Sana Industries Limited (the holding company) for purchase of raw material used in daily production. The bank has approved the facility of Rs. 300 million which is secured against first charge over movable stock, receivables, plant and machinery and fixed assets duly ensured in banks favour covering all risk with premium payment receipts. The rate of markup on the facility is 6 months KIBOR + 2% per annum.

11.2 This represent short term morabaha facility obtained by Sana Industries Limited (the holding company) for procurement of raw material from local market. The bank has approved the facility of Rs. 134 million which is secured against first charge over land and building bearing survey no. 54 located at Gondpas Tapo Gabopat Kemari Town, Karachi, pari passu charge over stocks and receivables of company amounting to Rs. 200 million and personal guarantees of directors. The rate of markup on the facility is 3 months KIBOR + 1.5% per annum.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

In December 2011, the Federal Government, for the first time, imposed the levy of Gas Infrastructure Development Cess (the cess) through the promulgation of the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011) which, subsequently, was widely challenged on several legal grounds. In June 2013, the Honourable High Court of Peshawar, in the case titled M/s. Ashraf Industries vs. Federation of Pakistan, passed a judgment whereby it struck down the GIDC Act, 2011 declaring the said law as unconstitutional. Subsequent to this decision, the Gas Infrastructure Development Cess Ordinance, 2014 (GIDC Ordinance, 2014) was promulgated which expired in May 2015. In the same month, the Honourable Supreme Court of Pakistan dismissed the review petition filed by the Federation of Pakistan against the aforesaid judgment of the Honourable High Court of Peshawar, and thereby, upheld the said judgment. Following the judgment of the Apex Court, the GIDC Ordinance, 2014 received presidential assent after having been passed by both the houses of Parliament as Gas Infrastructure Development Cess Act, 2015 (GIDC Act, 2015). The GIDC Act, 2015, provided for retrospective levy of cess for the period from January 2011 to May 2015 (as imposed under the struck down GIDC Act, 2011 and GIDC Ordinance, 2014) with different cess rates prescribed for each sector. The GIDC Act, 2015, has also been challenged on legal and other grounds. In October 2016, the Honorable High Court of Sindh passed a judgment whereby it declared the GIDC Act, 2015 as unconstitutional. Subsequent to this decision, the Federation of Pakistan filed an appeal in the Honorable Supreme Court of Pakistan against the aforesaid judgment of the Honorable High Court of Sindh which is currently pending for adjudication. During this period, the Honorable Sindh High Court suspended its judgment passed in October 2016. Hence no further provision is made during the period.

The Sana Industries Limited (the holding company), as well as other petitioners, have challenged the levy on constitutional and legal grounds as well as discrimination in supply rate and GID cess as against its retrospective application of GIDC Act 2015 to levy cess for the period from 2011 to 2015 against that applied to similar sector.

Since this issue is being faced by industry at large and in light of aforementioned developments, the management is of the view that there is no need to maintain any provision against this liability and accordingly the holding company has deferred the recognition of expense against such billings amounting to Rs. 120.78 million (June 30, 2019: 112.19 million) based on the advice of its legal counsel.

Except for the above, there has been no change in the status of contingencies as disclosed in annual audited financial statements of the Group for the year ended June 30, 2019.

	(Un-audited) December 31, 2019	(Audited) June 30, 2019	
		----- Rupees -----	
12.2	Commitments		
	Irrevocable letter of credit	110,026,422	64,965,814
	Letter of guarantee issued by commercial bank	29,376,853	24,056,478
	Custom duty, sales tax, FED and Income tax on goods in transit	1,856,346	2,160,819

13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise companies with common directorship, major shareholders, directors, key management personnel and their close family members. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

Nature of transaction	Half year ended	
	December 31, 2019	December 31, 2018
	----- Rupees -----	
Staff retirement benefit plans - Contribution to gratuity fund	<u>4,699,687</u>	<u>10,467,810</u>
Key management personnel - Remuneration and benefits	<u>30,092,602</u>	<u>30,092,602</u>
Loans from directors	<u>5,860,000</u>	<u>72,168,514</u>
Repayment of loan from directors	<u>77,350,000</u>	<u>50,993,514</u>
Rent paid to directors' family members	<u>4,908,000</u>	<u>7,297,992</u>
	(Un-audited)	Audited
Outstanding balances as of the period end / year end:	December 31, 2019	June 30, 2019
	----- Rupees -----	
Loan from directors and family members	<u>60,435,000</u>	<u>79,185,000</u>

14 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the preceding annual published financial statements of the Group for the period ended December 31, 2019.

15 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation.

16 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information has been authorized for issue on 29 FEB 2020 by the Board of Directors of the Company.


Chief Executive Officer


Director


Chief Financial Officer

